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BY

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Recent developments of the currency question in the United States have very rudely dispelled many illusions.

In the early part of the present year many great organs of public opinion in this country were very confident, that the demand for remonetization of silver was "a craze which was dead or dying;" "it was a mere fad;" it was "a passing humour of the hour;" it was certain that "at the next Presidential election in the United States neither of the two great political parties were likely to give serious consideration to it."

It was a startling revelation to these over-confident prophets when the Republicans met in convention at St. Louis, and declared for International Bimetallism.

It was still more startling when the Democrats met at Chicago, and went "one better" than their opponents by declaring unreservedly for the free coinage of silver and gold, at a ratio of 16—1, with, or without, international agreement.

It then became apparent that "the dying craze" had obtained so firm a hold of public opinion in the United States, that neither of the two great political parties could venture to declare unequivocally against it.

To the intense surprise of those who confidently believed that "a mere currency question" could never become popular, it was found that vast masses of people were deeply stirred by it; and that a great free nation was ready to engage in a bitter struggle on account of it. And be it borne in mind

NOT A STRUGGLE OF MONOMETALLIST AGAINST BIMETALLIST.

On this point the battle had been completely won by the bimetallists. To use Professor Walker's words: "there is now no proper gold monometallist party in the United States." The struggle is between those who, like Professor Walker, believe that the remonetization of silver should be brought about by the concerted action of civilized States, and those who, impatient of further delay, demand the immediate remonetization of silver by the United States with, or without, the co-operation of other Powers.

In the present contest the Republicans stand for International, and the Democrats for National bimetallism.

One of the most potent factors which have gone to make up the strength of the free silver party in the States is

THE ATTITUDE TAKEN UP BY THIS COUNTRY

towards international bimetallism. Free use has been made of arguments employed by prominent British statesmen, to the effect that England, being a creditor nation, gains by a system which compels her debtors to sacrifice an ever increasing amount of their produce to discharge a given amount of debt, measured in gold.

Statements of this kind have been reprinted, and distributed, in thousands amongst the electors, and have not only vastly contributed towards the strength of the free silver party, but have produced an intensely bitter feeling against this country itself.

When it is brought home to the American people that the increase in the exchangeable value of gold is, in great part, due to their own action, and that they have power to reduce the value of the metal, also by their own action, the effect of these statements may be easily understood.

IN WHATEVER WAY THE STRUGGLE RESULTS IT WILL VITALLY AFFECT BRITISH INTERESTS.

If Mr. McKinley is elected the problem before him will be to maintain the parity of the gold, the silver, and the paper, of which the American currency consists. Under present conditions gold alone can be used for the liquidation of an adverse trade balance, and whenever a trade balance exists, unfavourable to the States, there must be a continual drain of the gold reserves. For the moment, the export of gold from the States has been retarded owing, according to the *Economist*, to the action of a certain knot of financiers, who have "practically suspended the laws of exchange for a period, by going short of exchange in order to supply bills."

But, if this is so, it is only staving off the evil day, and the position will be made still more difficult a few months hence when to the ordinary gold drain will be added the necessity of providing for payment of maturing extraordinary obligations. Apparently Mr. McKinley bases his hopes upon a high protective tariff, which will make it so difficult for the United States to import commodities, as to force a favourable trade balance. In the event, therefore, of a Republican victory and of the new President being in a position to carry out his policy, we shall have to reckon upon

A NEW MC KINLEY TARIFF

which will seriously affect our trade with the United States.

But the export trade of Great Britain to the States may be severely crippled by tariff legislation, and yet an adverse trade balance to be liquidated by the latter country may remain. The Protectionist party in America reckon on maintaining their export trade even though imports be very greatly reduced. If these anticipations become realised it will be against all the teachings of experience. The probability is that this discouragement of imports by the United States will tend to reduce exports. In that case trade in the United States will be most injuriously affected; there will be an increase of the present distress; exports of gold will again endanger the stability of the currency; the expedient of contracting gold loans may be once more forced upon the Government, and the free silver agitation will only become more and more powerful. With a highly protective tariff, with the currency question unsettled, and a probable free silver victory looming ahead, the prospects of trade, during the interval, are not encouraging. It is certain that the effects of a prohibitive tariff, and of the general uncertainty as to the future, will seriously injure the trading interests of Great Britain.

On the other hand, it is possible that

THE ELECTION MAY BE WON BY THE DEMOCRATS,

and Mr. Bryan returned to the White House.

In that case also British interests may be very materially affected.

It has been the fashion with certain advocates of an isolated policy on the part of this country, with respect to currency matters, to ignore the fact that the value of the British gold sovereign is, at the present moment, entirely at the mercy of foreign monetary legislation.

If the United States go to the free coinage of silver, nothing is more probable than that the exchangeable value of gold will be greatly reduced. The gold standard will be depreciated, just as it has been appreciated by the action of foreign legislation since 1873. If there should be any very great change in the metallic currency of the United States—that is, if silver largely takes the place of gold—the demand for silver will tend to cause that metal to rise in value. We shall therefore expect to see a fall in the value of gold, and a rise in the value of silver, and this alteration in the relative values of the precious metals may be very violent, and sudden, in its action.

Opinions differ as to the power of the United States, alone, so to affect the demand as to raise the price of silver, and depreciate the price of gold, to an extent which will make their coinage ratio of 16—1 effective. In this country the opinion seems to be generally held that

THE UNITED STATES ALONE CANNOT SO AFFECT THE DEMAND FOR THE PRECIOUS METALS AS TO MAKE THIS RATIO EFFECTIVE.

I have not seen this opinion supported on any definite scientific grounds. It appears to be put forward somewhat in the nature of a guess. It seems to me that the matter depends upon the amount of gold which the United States may set free, and upon the capacity of the gold standard countries to absorb it. The Director of the United States Mint estimated that on January 1st, 1895, the stock of gold in the world, in use as money, amounted to £800,000,000, in round figures. Of this total, the Treasury Department calculated that the United States held in January of the present year £125,000,000. According to the former of these authorities, the stock of silver in the world, in use as money, also amounted to £800,000,000, if taken at its nominal value.

Assuming these figures to be correct, what will be the effect of free coinage of both the precious metals in the United States at the ratio of 16—1?

We are assured by those who argue that the United States cannot maintain the ratio single-handed, that the result will be the placing of the United States currency upon a silver basis, that the whole of the gold in that country will be withdrawn from circulation,—will be exported,—and that silver will take its place. If this view of the case be correct, it means that £125,000,000, in gold, will be added to the stocks of the gold standard nations, and that £125,000,000, in silver, will be required to take its place. This argument seems to assume that the gold standard countries will immediately proceed to exchange their silver for American gold. It leaves out of consideration the fact that the great mass of this silver is already in circulation at a lower ratio than 16—1. But assuming that these countries are in a position promptly to exchange £125,000,000 in silver, for gold, can they do it without causing the value of gold, in the markets of the world, to fall below a ratio of 16—1?

A great mass of gold will be thrown upon the gold standard countries, and there will be a great demand for silver. This will be equal to an increased production of gold amounting to over one-seventh of the total monetary stocks in existence, and an increased demand for silver also amounting to about the same percentage of the total silver money in existence.

In the *Economic Interpretation of History* Thorold Rogers alludes to

GREGORY KING'S LAW

of prices. Gregory King laid it down, after an examination of a vast mass of statistics, that a defect in the harvest raises the price of corn in an altogether different proportion to that of the shortage. He found that a defect of one-tenth raises the price not one-tenth but three-tenths, a defect of two-tenths raises the price not two-tenths but eight-tenths, and a defect of three-tenths raises the price not three-tenths but sixteen-tenths. Thorold Rogers points out that although Gregory King merely takes the price of corn, he intends to imply a principle, which is that the price of any article in demand, but at present in defect, rises in price by a different ratio from that indicated by the ascertained amount of the deficiency; and on the other hand, the price of any article in demand, but at present in excess, falls in price by a different ratio from that indicated by the ascertained amount of the over-supply.

Now, manifestly when full money power is given to either gold, or silver, or both, they are always in demand, and assuming the possibility of the contention that the United States will lose all their gold and be "flooded with silver," we must grant that there will be an enormous increase in the supply of gold to gold standard countries, and an enormous demand for silver in exchange.

Provided that concurrently with the establishment of free coinage of both metals in the United States, there is no sudden change to gold on the part of a silver standard country, there would appear to be no reason why Gregory King's law should not apply.

It is necessary, of course, to bear in mind one great distinction between an article of rapid consumption like corn and indestructible materials like gold and silver. In the one case an excess, or defect, of the crops of one year will affect prices in something like the ratio suggested by Gregory

King; but in the other case an excess, or defect, in demand or supply, will only affect values, in so far as it affects the total stock of precious metals in existence, and available for a particular purpose. It is for this reason I have taken the possible American demand for silver, and supply of gold, not as proportionate to a single year's output of the precious metals, but as proportionate to the total monetary stock of gold and silver in existence, and available.

THE PRESENT MARKET RATIO OF THE TWO METALS

is about 31—1; and one-ninth of the world's gold money is, in round numbers, £90,000,000.

Assuming that Gregory King's law would operate in anything like the manner indicated, an addition of one-ninth to the stock of the gold standard nations would lower the value of gold, all over the world, by three-ninths. On the other hand, an additional demand for silver amounting to one-ninth of the available monetary supply would raise the value of silver, all over the world, by three-ninths. But this would bring the market ratio of the precious metals to 15½—1, thus rating gold at less than the suggested American ratio of 16—1. It follows, therefore, that assuming the most favourable conditions, the United States could not exchange the whole of their gold for silver without so lowering the value of gold and so raising the value of silver, by the mere action of supply and demand, as to bring the market value of gold to considerably less than 16—1 of silver.

I have however assumed conditions altogether too favourable to those who argue that the result of free silver in the United States must be to replace the whole of the gold in that country with silver. It is not probable that any part of the silver in existence, coined at a higher ratio to gold than 16—1, would be available for exchange, and just so much as the demand for silver is thrown upon a smaller available supply than the whole of the world's stock, just so much more quickly will the increased demand cause the value of silver to rise, and just so much less gold will the United States be able to dispose of. An eminent financial authority has given me his private opinion that the States can not exchange more than £60,000,000 of their gold for silver, without so lowering the price of gold, and so raising the price of silver, as to make silver the more profitable metal to remit in payment of their European liabilities.

FREE SILVER LEGISLATION

in the United States will therefore probably mean a great reduction in the purchasing power of gold, and a great increase in the purchasing power of silver. This will affect all the various currencies in the British Empire. For it is perhaps too frequently forgotten that the British Empire to-day is very far from possessing a uniform, stable, standard of value. It is vexed and perplexed with three differing and divergent standards. In the British Islands and some of the colonies we have a gold standard; in Hongkong and the Straits Settlements we have a silver standard; and in India we have a standard which is neither silver nor gold, but is based upon a legislative artificially appreciated rupee. Moreover, the British Empire, although not the largest owner of gold, is the largest owner of coined silver in the world.

In so far as a sudden opening of the mints in the United States, to silver, will reduce the present chaotic state of the currency of the British Empire to something like order and stability, it may be welcomed, but the violent character of the change may work

A TERRIBLE TRADE DISTURBANCE.

Our three divergent standards of value may be brought more closely together; but if this be done suddenly—if the values of all our differing standards become violently changed, the consequences will be more injurious to us than to any other nation with less wide-spread interests, and with currencies upon more stable foundations.

Some millions of our fellow-subjects mainly use silver as money, some millions mainly use gold. It is essentially a British interest to encourage trade between different parts of the British Empire, and at present we lack an effective monetary machine for this purpose. Stability of the ratio between gold and silver, and consequent stability of the currencies of the British Empire, is of vital importance to us, and the present condition of unrest, uncertainty, and currency chaos is a constant hindrance and injury to trade.

It is perfectly true that an appreciation of the purchasing power of gold has been of advantage to certain classes in the country, although it has been injurious to the producing classes; but it is now clearly seen that even this class advantage is entirely dependent upon foreign legislation. But to bring about stability in the currencies of the British Empire gradually, and by well considered means, is very different to bringing it about by a sudden and violent change which may dislocate our trade all over the world.

It is, therefore, a great misfortune for this country that so much opposition has been raised in certain influential quarters, to

A SETTLEMENT OF THIS QUESTION BY INTERNATIONAL AGREEMENT.

So much injury may be done to British interests by ill-considered monetary legislation on the part of any one of the great foreign powers, that it seems folly on our part to give up the best opportunity we may have of controlling it. Monetary legislation on the part of one country affects all, and therefore there is no other question which is so essentially one for international agreement.

The settlement of the monetary question is one for trained political economists, not for a popular vote. It should be the result of calm deliberation, and conference between the wisest heads of the principal trading nations.

At present the great strength of the Republican position lies in the hope that a settlement by means of international agreement may yet be brought about. If this hope be once definitely abandoned, the free silver movement will become irresistible, and in such case we must take the principal share of the blame if any British interest is injuriously affected.

It is certain that a settlement of the question will not be long delayed. For thousands of years both gold and silver have been used as money, and are likely so to be used for thousands of years to come. The 300 millions of people using gold as a standard, and the 900 millions of people using silver, will not always be content to trade under all the difficulties entailed upon them, by the lack of a stable, and uniform, medium of exchange, and by all the troubles which have resulted from the rash monometallic experiments of the past twenty-five years. It depends very much upon the attitude of Great Britain what that settlement shall be, and how it shall be arrived at. Whether it shall be made with a minimum of disturbance, after a calm consideration of all the interests involved, and without injustice to either creditor or debtor; or whether it shall be the result of a sudden and violent change in which British interests will receive scant consideration, and as a consequence of appeals to popular passion and prejudice. In a word, it greatly depends upon Great Britain whether relief from the chaos into which the currencies of the whole world are now plunged, is to be obtained by means of wise reform or wild revolution.

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